

LAURA N. CHICK
INSPECTOR GENERAL

STATE OF CALIFORNIA
OFFICE OF THE INSPECTOR GENERAL
AMERICAN RECOVERY ACT FUNDS

Transmitted via e-mail

April 14, 2010

Ms. Virginia Webster, Executive Director
Shasta Senior Nutrition Programs, Inc.
2225 College View Drive
Redding, CA 95435

Dear Ms. Webster:

Final Report—Shasta Senior Nutrition Programs, Inc., Emergency Food Assistance Program

The State of California, Office of the Inspector General (IG), American Recovery and Reinvestment Act (ARRA) reviewed the Shasta Senior Nutrition Programs' (SSNP) use of ARRA funds for SSNP's Emergency Food Assistance Program (EFAP).

Scope

The IG conducted a review of SSNP's ARRA funds received for the EFAP program in the amount of \$10,132. The review period was March 1, 2009 through December 31, 2009. The review's objectives were to determine if SSNP properly accounted for and used ARRA funds in accordance with ARRA requirements and applicable laws and regulations.

The SSNP's management is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and program requirements, as well as evaluating the efficiency or effectiveness of the program. Unless identified during our review of ARRA funds, we did not assess the efficiency or effectiveness of program operations.

Methodology

The IG reviewed the SSNP's general ledger, along with other accounting records and supporting documents, to evaluate whether ARRA funds were properly accounted for and spent. Costs allocated to the SSNP program and the method of allocation were reviewed for propriety and reasonableness. Furthermore, a sample of SSNP's staff payroll documents were reviewed to verify that hours and wages were properly documented, completed, and reported.

Summary of Review

The SSNP received ARRA funds of \$1,222 in excess of their actual allowable ARRA expenses. The excess funds represent 12 percent of the \$10,132 in ARRA funds distributed to SSNP as illustrated in Table 1.

Table 1: Schedule of Claimed, Allowed, and Questioned Amounts

Memorandum of Understanding 07-6061
For the Period March 1, 2009 through December 31, 2009

<u>Category</u>	<u>Claimed</u>	<u>Allowed</u>	<u>Questioned</u>
Revenues			
Reimbursements	\$10,132	\$10,132	\$ 0
Total Revenues	10,132	10,132	0
Expenditures			
Wages	8,779	8,367	412
Payroll Taxes and Worker's Compensation	1,061	251	810
Distribution Materials	292	292	0
Total Expenditures	10,132	8,910	1,222

Review Findings

AARA Funds Are Not Properly Tracked

The SSNP's general ledgers do not separately record various funding sources. As stated by the President's Office of Management and Budget's *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009* (M-09-15), "to maximize transparency of Recovery Act spending required by Congress and the Administration, agencies must not co-mingle Recovery Act funds with other funds."

Excess Expenditures Claimed and Reimbursed as ARRA

The SSNP claimed and was reimbursed for \$1,222 of excess expenditures. Salary and benefit expenditures of \$412 were claimed and reimbursed by ARRA, but were not incurred by SSNP. Furthermore, payroll taxes and worker's compensation were overstated by \$810. During the review, IG staff noted that the payroll tax and worker's compensation charged to ARRA was computed using a percentage four times higher than the historical percentage used to calculate these benefits. The SSNP's original EFAP request for reimbursement calculated payroll taxes and worker's compensation costs at 3 percent of the total wages claimed for the period July 1, 2009 through September 30, 2009. In SSNP's ARRA reimbursement request for the same period, these benefits were calculated at 12 percent of the total wages claimed. The IG staff recalculated the benefits at 3 percent of wages, based on the wages allowable for ARRA funding, resulting in payroll taxes and worker's compensation costs of \$251, \$810 less than the claimed and reimbursed amount.

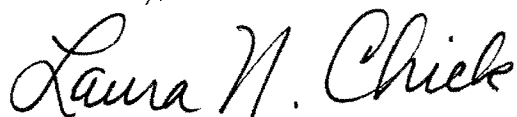
Conclusion

Twelve percent of the ARRA funds received by SSNP did not represent allowable ARRA expenditures. We recommend that SSNP work closely with CDSS to return the funds of \$1,222 and to ensure that future ARRA funds are properly recorded and represent valid ARRA expenses.

SSNP's response has been included in this report. In accordance with the Inspector General's policy of increased transparency, the final report will be placed on our website, <http://www.inspectorgeneral.ca.gov>.

We appreciate the assistance and cooperation of the SSNP. If you have any questions regarding this report, please contact, Penny Krueger, Supervisor, at (916) 322-3003.

Sincerely,



LAURA N. CHICK
California Inspector General
American Recovery and Reinvestment Act

cc: Mr. John A. Wagner, Director, California Department of Social Services
Ms. Cynthia Fair, Chief, Information Security and Audits, California Department of Social Services
Mr. Pat Fitzgerald, Assistant Branch Manager, Estimates and Research Services Branch, California Department of Social Services
Mr. Chip Bane, Audit Manager, California Department of Social Services
Mr. Sonny Olaso, Manager, Emergency Food Assistance Program, California Department of Social Services



Mercy Medical Center Redding
Shasta Senior Nutrition Programs

A member of CHW

April 7, 2010

Laura N. Chick
California Inspector General
American Recover and Reinvestment Act

Dear Laura,

In response to the Draft Report dated March 23, 2010, and received on March 30, 2010, I would like to thank you for your patience. With our Holiday on March 29 and the fact that our two of our primary fiscal agents were on leave it has taken an extra day or so to research this report.

Per the allowed & questioned reimbursement expenditures listed on page 2 of your report, the Wage issue was researched and it appears that the wording on the regular claim for 7/1-9/30/09 has led to the confusion. It listed Wages in the amount of \$10,672.43. It should have listed Wages & Benefits. This amount, \$2094.36 was added to the wages of \$8578.07. These amounts are listed on the Financial report AC 290, pages 3 & 6 previously sent to Veronica Green. Since this was a typing error only, we disagree with your questioned Wage figure of \$2507.00, and believe it should be adjusted by the \$2094.36 explained above.

As for the Payroll taxes and Workers compensation, we are not disputing the differences listed in your report.

In the future, any ARRA funds will have their own "Activity Number" through our accounting system to prevent any confusion on expenditures.

If you need more information, please call me or my Fiscal Officer, Debbie McClung.

Thank you.

Sincerely,

Virginia Webster
Executive Director

cc: Mr. Sonny Olaso, Manager, Emergency Food Assistance Program, California
Dept. of Social Services.

REVIEW OF RESPONSE

The State of California, Office of the Inspector General (IG) of the American Recovery and Reinvestment Act Funds (ARRA) issued a draft review report to the Shasta Senior Nutrition Program (SSNP) on March 23, 2010. We received SSNP's response to that report on April 7, 2010.

After reviewing SSNP's response in regards to the observation titled Excess Expenditures Claimed and Reimbursed as ARRA, we have adjusted the questioned wages from \$2,507 to \$412 on the final report. Based on the adjustment to wages, we further adjusted the questioned amount of payroll taxes and worker's compensation from \$873 to \$810 in excess of the claimed and reimbursed amount.